



8011-01p
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73443; File No. SR-DTC-2014-10)

October 28, 2014

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change in Connection with the Modifications to Require Receiver Authorized Delivery Approval for DTC Processing of Institutional Delivery Transactions

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 16, 2014, The Depository Trust Company (“DTC”) filed with the Securities Exchange Commission (“Commission”) the proposed rule change as described in Item I, II and III below, which Items have been prepared by DTC. The Commission is publishing this notice to solicit comments on the proposed change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of changes to the DTC Settlement Service Guide (the “Guide”)³ to require Participants to use the Receiver Authorized Delivery (“RAD”) function to accept (*i.e.*, “match”) any affirmed institutional delivery transaction (“ID Transaction”) prior to DTC processing of the related securities delivery.⁴

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Guide is available at <http://www.dtcc.com/~media/Files/Downloads/legal/service-guides/Settlement.ashx>.

⁴ Terms not otherwise defined herein have the meaning set forth in the Rules.

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, DTC included statements concerning the purpose of and basis for the proposed rule change, and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. DTC has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(1) Purpose

DTC proposes to modify the Guide to require Participants to use RAD to accept any affirmed ID Transaction prior to DTC processing of the respective delivery of securities.

RAD allows a receiver of valued deliveries of securities ("Receiver") to manage which deliveries to accept, or to reject, prior to further processing by DTC. Prior to the proposed rule change, pursuant to a recent rule change (the "Prior RAD Change")⁵ DTC has instituted the requirement that all Deliver Orders and Payment Orders be approved through RAD for further processing at DTC. The purpose of the Prior RAD Change and this proposed rule change is to establish a consistent internal "matching" system for book-entry deliveries at DTC, by which the agreement of the Participant delivering securities ("Deliverer") and Receiver is confirmed with respect to each delivery for purposes of DTC settlement.

⁵ Securities Exchange Act Release No. 72576 (Jul. 9, 2014); 79 FR 41335 (Jul. 15, 2014) (SR-DTC-2014-06).

ID Transactions generally have not required RAD approval, because these transactions are externally pre-matched through Omgeo, LLC: the Guide has permitted Participants, at their option, to apply RAD.⁶ Instead of RAD, a Participant may use the same-day reclaim process to return securities to the original Deliverer without the acceptance of the latter. This process creates uncertainty for Participants and DTC with respect to ID Transactions as to whether securities would be delivered or reclaimed on the same day without the prior acceptance of the Receiver or original Deliverer, as applicable.

Pursuant to the proposed rule change, DTC would amend the Guide to eliminate this uncertainty by providing that ID Transactions would only be processed for delivery once the intended Receiver has approved the transaction in RAD.⁷ Same day reclaims would also be subject to RAD approval by the original Deliverer. As with any securities delivery, these transactions would be subject to risk management controls.⁸

⁶ Receivers may optionally set their DTC profile to route ID Transactions to RAD.

⁷ For processing efficiency, the proposed change to the Guide would offer Participants the option to set their system profile to allow affirmed ID Transactions to be automatically accepted in RAD. However, Participants would no longer have an option to allow ID Transactions to bypass RAD.

⁸ DTC risk management controls, including Collateral Monitor and Net Debit Cap (as defined in DTC Rule 1), are designed so that DTC may complete system-wide settlement notwithstanding the failure to settle of its largest Participant or affiliated family of Participants. The Collateral Monitor tests that a Receiver has adequate collateral to secure the amount of its net debit balance and the Net Debit Cap limits the net debit balance of a Participant so that it cannot exceed DTC liquidity resources for settlement. See DTC Rules, http://dtcc.com/~media/Files/Downloads/legal/rules/dtc_rules.ashx.

Additionally, the Guide would be updated for technical changes to: (i) update the text for consistency to reflect that all valued Deliver Orders, Payment Orders, ID Transactions, MMI transactions, reclaims, pledges and releases of pledged securities would be subject to RAD; (ii) update the text for consistency to reflect that all reclaims would be subject to risk management controls and remove references to system functions related to reclaims that have become obsolete; (iii) add an e-mail address to which Settling Banks seeking to adjust Net Debit Caps may send their requests, in addition to via mail or overnight delivery to the existing mailing address; (iv) indicate where Participants may access certain system functions via Settlement Web either in addition to, or in lieu of, PBS/PTS; (v) eliminate references to fees, relating to the ID Net service, which are redundant since those fees are also listed in DTC's fee schedule; and (vi) delete reference to the population of a "third party" field on DTC's system screens for the ID Net service which is no longer applicable.

Implementation. The effective date of the proposed rule change would be announced via a DTC Important Notice.

(2) Statutory Basis

The proposed rule change would reduce uncertainty relating to settlement of securities deliveries for ID transactions through DTC by requiring acceptance by the receiving party prior to delivery. Therefore, the proposed rule change is consistent with the provisions of Section 17A(b)(3)(F)⁹ of the Act which requires that the rules of the clearing agency be designed, *inter alia*, to promote the prompt and accurate clearance and settlement of securities transactions. In

⁹ 15 U.S.C. 78q-1(b)(3)(F).

addition, the proposed rule change is consistent with Rule 17Ad-22(d)(12) of the Act¹⁰ which requires that a clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to ensure that final settlement occurs no later than the end of the settlement day and requires that intraday or real-time finality be provided where necessary to reduce risks.

B. Self-Regulatory Organization's Statement on Burden on Competition

DTC does not believe that the proposed rule change would have any impact, or impose any burden, on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments relating to the proposed rule change have not yet been solicited or received with respect to this filing.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

¹⁰ 17 CFR 240.17Ad-22(d)(12).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-DTC-2014-10 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC, 20549-1090.

All submissions should refer to File No. SR-DTC-2014-10. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of DTC and on DTC's website at <http://dtcc.com/legal/sec-rule-filings.aspx>. All comments received will be

posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-DTC-2014-10 and should be submitted on or before [INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Kevin M. O'Neill,
Deputy Secretary.

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¹¹ 17 CFR 200.30-3(a)(12).